



Strategic Studies Institute **SSI**

**SOCIO-ECONOMIC ROOTS OF RADICALISM?
TOWARDS EXPLAINING THE APPEAL
OF ISLAMIC RADICALS**

Alan Richards

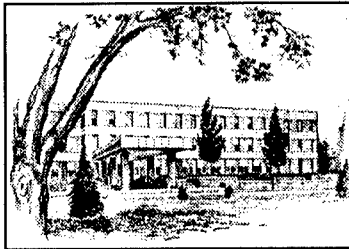
DISTRIBUTION STATEMENT A
Approved for Public Release
Distribution Unlimited

20030826 019



U.S. Army War College

STRATEGIC STUDIES INSTITUTE



The Strategic Studies Institute (SSI) is part of the U.S. Army War College and is the strategic level study agent for the Deputy Chief of Staff for Operations and Plans, Department of the Army.

The mission of SSI is to use independent analysis to conduct strategic studies that develop policy recommendations on:

- Strategy, planning and policy for joint and combined employment of military forces;
- Regional strategic appraisals;
- The nature of land warfare;
- Matters affecting the Army's future;
- The concepts, philosophy, and theory of strategy; and
- Other issues of importance to the leadership of the Army.

Studies produced by civilian and military analysts concern topics having strategic implications for the Army, the Department of Defense, and the larger national security community.

In addition to its studies, SSI publishes special reports on topics of special or immediate interest. These include edited proceedings of conferences and topically-orientated roundtables, expanded trip reports, and quick reaction responses to senior Army leaders.

The Institute provides a valuable analytical capability within the Army to address strategic and other issues in support of Army participation in national security policy formulation.

**SOCIO-ECONOMIC ROOTS OF RADICALISM?
TOWARDS EXPLAINING THE APPEAL
OF ISLAMIC RADICALS**

Alan Richards

July 2003

The views expressed in this report are those of the author and do not necessarily reflect the official policy or position of the Department of the Army, the Department of Defense, or the U.S. Government. This report is cleared for public release; distribution is unlimited.

The author is indebted to Edmund Burke, Graham Fuller, Isebill Gruhn, Paul Lubeck, and Steven Simon for helpful discussions; and two anonymous reviewers from the Army War College for useful comments and suggestions. None of these people are responsible for the arguments advanced here.

Comments pertaining to this report are invited and should be forwarded to: Director, Strategic Studies Institute, U.S. Army War College, 122 Forbes Ave., Carlisle, PA 17013-5244. Copies of this report may be obtained from the Publications Office by calling (717) 245-4133, FAX (717) 245-3820, or be e-mail at *Rita.Rummel@carlisle.army.mil*

All Strategic Studies Institute (SSI) monographs are available on the SSI Homepage for electronic dissemination. SSI's Homepage address is: *<http://www.carlisle.army.mil/ssi/index.html>*


The Strategic Studies Institute publishes a monthly e-mail newsletter to update the national security community on the research of our analysts, recent and forthcoming publications, and upcoming conferences sponsored by the Institute. Each newsletter also provides a strategic commentary by one of our research analysts. If you are interested in receiving this newsletter, please let us know by e-mail at *outreach@carlisle.army.mil* or by calling (717) 245-3133.

FOREWORD

The September 11 attacks against U.S. targets came as a frightening shock to most Americans who had never previously heard of Osama Bin Laden or the virulent radicalism associated with his al Qaeda network. In the tumultuous aftermath of the attacks, many Americans grasped for explanations as to why these events occurred and what was to be done about them. Closely-related queries were why Islamic radicals enjoy a significant amount of popular sympathy within the Muslim World, and how this trend can be reversed.

This monograph, by Dr. Alan Richards, addresses the critical questions involved in understanding and coping with the roots of Islamic radicalism. His work closely examines the links between radicalism and a series of crises associated with modernization in the Islamic World. The result is a thoughtful and probing study including policy recommendations for U.S. military and civilian decisionmakers that makes intelligible the complex subject of Islamic radicalism.

The Strategic Studies Institute is pleased to offer this monograph as a contribution to the national security debate on this important subject. This analysis should be particularly valuable to U.S. military strategic leaders as they seek to better understand the security concerns of friendly states within the Islamic World. Additionally, the background information provided should be very useful to all those involved in military-to-military interactions within the Islamic World.


DOUGLAS C. LOVELACE, JR.
Director
Strategic Studies Institute

BIOGRAPHICAL SKETCH OF THE AUTHOR

ALAN RICHARDS is Professor of Economics and Environmental Studies at the University of California, Santa Cruz, where he has been on the faculty since 1976. He was educated at Harvard University and the University of Wisconsin, Madison, where he studied political science, Middle Eastern studies, and economics. He was Director of the University of California System's Education Abroad Program in Cairo from 1989-91 (during the Gulf War). In 1991 he was a member of a three-person team tasked with drafting proposals for U.S. development assistance to the West Bank and Gaza. In 1992-94, he worked in Washington for USAID as a Senior Political Economist, where he conducted and/or directed political economy analyses of Egypt, Jordan, Morocco, Palestine, Tunisia, Yemen, and Kazakhstan. He has also taught economics at the University of Wisconsin--Madison, Harvard University, and the American University in Cairo. With John Waterbury (formerly of Princeton University, now President of the American University in Beirut), he co-authored *A Political Economy of the Middle East* (1990; second edition, 1996), a work widely recognized as a groundbreaking effort in the field. In 1995/96 he was MacArthur Fellow in International Environmental Policy for the University of California system. He is an advisory editor for the journal *Middle East Policy*, and is a frequent consultant to the U.S. Government on Middle Eastern affairs.

SUMMARY

Why do "Islamic radicals" enjoy so much sympathy in the Middle East and wider Muslim world? The author argues that such radicalism is a political response to the deepening economic, social, political, and cultural crisis in the Muslim World. Rapid demographic growth, educational changes, government policy failure, and rapid urbanization are among the causes of high unemployment, and increasing poverty, which, together with other forces, have alienated large sectors of Muslim youth. The regional crisis has deep historical roots, and simple "solutions" do not exist. A long-term strategy is needed. Elements of that strategy include recognition of the limits of American power in the face of this multidimensional crisis, concrete steps to resolve the Palestinian problem, and improved intelligence cooperation and covert actions. The future of the region belongs to young Muslims: we should ask of any proposed policy: how will *they* interpret our actions?

SOCIO-ECONOMIC ROOTS OF RADICALISM? TOWARDS EXPLAINING THE APPEAL OF ISLAMIC RADICALS

Introduction: The Debate Over "Roots."¹

Why do "Islamic radicals"—including the partisans of al-Qaeda and other followers of Osama bin Laden—enjoy so much sympathy in the Middle East and wider Muslim world? Obviously, understanding such a phenomenon is a necessary (but not sufficient) condition for crafting a strategy to cope with the murderous violence of September 11, 2001. Some analysts—including this one—believe that explaining this—or any other—large-scale social movement requires a nuanced, complex historical analysis of social, economic, political, and cultural factors. Space and professional competence sharply constrain the analysis offered here, which will focus more on economic, social, and political factors than on cultural and ideological aspects.

Any reader of journals and op-ed pages of newspapers knows, however, that perspectives such as this have hardly gone unchallenged. Indeed, in the immediate aftermath of September 11, attempts at analysis of any kind were often denigrated as symptoms of cowardice or treason. Pundits and policymakers suggested that to argue that phenomenon such as al-Qaeda had social roots was to excuse, or even condone, their apocalyptic actions. As the political scientist Thomas Homer-Dixon pointed out, such arguments are "grade-school non sequiturs."² After all, historians who study Nazism do not justify Auschwitz, and students of Stalinism do not exonerate the perpetrators of the Gulag. Understanding is simply better than the alternative, which is incomprehension. If we fail to grasp the forces behind the attacks of September 11, we will fail to respond wisely.

A charitable interpretation of such breathless anathemas would be that the authors were simply traumatized by the shock of the events of that terrible day. While this may well be true, I think that something else is also involved. The title to this monograph has a question mark, not because I think that there are not such roots, but

because there exists an influential school of writers and thinkers who continue to argue that such roots do *not* exist. One can distinguish two broad types of arguments here: 1) arguments about specific roots (i.e., the debate on the role, if any, of poverty in fostering Islamic radicalism—discussed below), and 2) a broader denial of the idea that terrorism (or crime, or any social pathology) has *any* interesting social origins. The first perspective is certainly welcome: it is always useful, indeed necessary, to challenge and question any particular historical analysis. Such analysts are, at least, engaging in reasoned debate and analysis, however one may assess the validity of their arguments.

The second perspective is, of course, one much beloved by (grossly misnamed³) neo-conservatives. In their jihad against “liberalism” and “permissiveness,” they fear that any sociological or economic explanation for behavior will lead to “softness,” or to an insufficiently muscular (in this case, military) response. At a deeper level, they seem either to argue that evil—such as the attacks of September 11—is itself uncaused, or, following a venerable tradition that extends back at least to St. Augustine, the product of pride. This latter perspective is particularly prominent in discussions of the question, “Why do ‘they’ hate us?” Allegedly, “Muslims” “hate” the United States because *we* have been successful, and *they* have failed. Such explanations, of course, imply that we in the United States need not change any significant aspect of our behavior, most particularly including our energy and foreign policies. We simply have to keep bashing the miscreants militarily often enough, and then they will come to understand that we are right and they are wrong. It is, in essence, an American version of the “Iron Wall” strategy which Vladimir Jabotinsky advocated for the Yishuv in Palestine.⁴

Of course, the wrong diagnosis will typically lead to the wrong prescription. The American version of the Iron Wall is likely to be no more successful than it has been in Israel, where, 50 years after the proclamation of the Jewish state, Israeli citizens feel at least as insecure as ever in their history. While military action, and, even more, covert operations may well be appropriate elements of a long-term strategy, they are hardly likely to be sufficient. The reason, of course, is that the phenomenon of Islamic radicalism indeed has

deep, tangled, historical roots, and that our behavior has, and can again, exacerbate rather than ameliorate the problem.

Part of the difficulty, of course, is the very complexity of the phenomenon (or phenomena) which confront us. As a number of excellent recently published articles and books have reminded us (it is a damning commentary that we needed reminding), Muslims who deeply dislike various aspects of the international order, their domestic political system, and/or U.S. foreign policy are a highly diverse lot.⁵ Since at least one of seven human beings is Muslim, how could it be otherwise? This very complexity makes it hugely difficult to generalize, yet generalize we must if we are to identify courses of action that are likely to increase, or decrease, our security. It may also be that the very complexity (and fluidity) of the phenomenon of "Islamic radicalism" contributes to disagreement about the relative weight of various social factors, simply because different analysts are—perhaps unknowingly—discussing different groups of people.

For example, it may be useful to distinguish between the following groups, thought of (perhaps) as concentric circles:

1. "Jihadist Salafis"—such as the followers of al-Qaeda and like-minded local groups;
2. "Salafis"—those who believe that the imitation of the behavior of the Prophet's closest companions should be the basis of the social order;
3. "Islamists"—a still broader category, which includes anyone who thinks that the precepts of Islam—however interpreted—should be fundamental to the political and social order; and,
4. "Discontented Muslims"—people who identify themselves as Muslims, and who are unhappy with their life prospects, with the justice of their societies, and/or with the state of the wider world.

Presumably, *the goal of American policy should be to isolate the first group from all the others.* This alone would suggest that understanding

the social origins of the other groups, and the origins of their discontents, should be a high priority for Americans. Doing so requires us to have some understanding of the vast, multidimensional crisis which is unfolding in the Muslim world.

A Region in Crisis.

The Arab—and the wider Muslim—world confronts today a multidimensional crisis. Like any important historical phenomenon, the roots of the current crisis in the Middle East and the Muslim world are profoundly complex and intertwined. The crisis has economic, social, political, and cultural dimensions. Although the author focuses on the socio-economic and political aspects of the crisis, the cultural difficulties are equally, perhaps uniquely, difficult.

Although these dimensions are conceptually distinct, they are intimately linked, and they interact in complex ways. For example, economic failure erodes regimes' legitimacy and fosters an ideological vacuum, as old ideas (e.g., Arab nationalism) are understandably perceived as failures. The often-noted fact that essentially all serious political discourse in the region is now phrased in Islamic terms links the cultural dimension to all of the others.

The crisis is simultaneously internal and external. It is internal, because, as we shall see, population growth, failed economic policies, and local authoritarianisms (as well as cultural issues which fall outside of the purview of this monograph) all contribute to the problem. It is also external: wider forces of globalization play a critical role in stimulating the growth and spread of radicalism. Much of the region's economic stagnation derives from a weak and a distorted integration into the global economy. At the same time, the kinds of integration which have occurred—specifically, international migration and the spread of global communications—have themselves contributed to the spread of radicalism. The failure of local regimes is, in large part, a failure to manage and engage successfully the wider process of globalization.⁶ Nor can the problems of governance in the region be understood without reference to outside actors, and to ongoing international conflicts.

Today's Middle East finds itself enmired in the "modernization

process." For all the well-known weaknesses of this particular optic on modern history, it remains true that changing from a society inhabited by illiterate farmers, who are ruled by a literate, urban elite, into an urban, mass-educated society with an economy based on industry and services has *always and everywhere* been deeply traumatic. Worse, this transition has *always and everywhere* spawned grotesque violence. The modern history of both Europe and East Asia, the only places in the world where this transition has been more or less successfully accomplished, often reads like a horror novel: World Wars I and II; Stalin's Gulag, and Hitler's Holocaust, or Japanese fascism, the Chinese revolution, the "Great Leap Forward" and its attendant famine, and the Cultural Revolution. American experience has also been bloody: the extermination of Native Americans, the racial violence of slavery and Jim Crow, and the more than half-million casualties of our own Civil War. Why should we expect Middle Easterners to do better than Europeans, Americans, Japanese, or Chinese?

Much of the violence of this transition has been perpetrated by utopian fanatics, a category which includes fascists, Nazis, Leninists, and Maoists—and the followers of al-Qaeda. Like their earlier cousins, today's Islamist fanatics have "imagined a future," in this case the "restoration" of the (imagined) conditions of life in 7th century Arabia. Like all fanatics, they believe that they enjoy a monopoly on truth, and that those who disagree with them "are not merely mistaken, but wicked or mad."⁷ Like all fanatics, they believe that there is only one goal for humanity, and they are ready to wade "through an ocean of blood to the Kingdom of Love."⁸ Fanatics have always built towers of skulls as monuments to their fantasies.

These particularly virulent fanatics are part of a larger social phenomenon, the transnational "Salafi movement." This movement advocates a strict return to the practice of (what they believe to have been) the practices of the earliest Muslims. Their political ideology asserts that such a return will constitute a solution to the many difficult problems facing Middle Eastern and other Muslim societies. As their slogan goes, "*Islam huwwa al-hal*"—"Islam (that is, the Salafi interpretation of Islam) is the solution." Salafis include the followers of al-Qaeda—and the *muwahhiduun* (or "Unitarians"—as they call

themselves) or the Wahhabis (as others call them), partisans of the official ideology of the Kingdom of Saudi Arabia. Several analysts have recently called our attention to the spectrum of opinions within this movement.⁹

Radical movements have their greatest appeal when the dislocations of the transitions to modernity are most acute. Only the slaughter of World War I and its chaotic aftermath allowed the Bolsheviks to seize power in Russia; Hitler is inconceivable without the Treaty of Versailles and the Great Depression; famine, governmental collapse, and the horrors of the Japanese invasion set the stage for Mao. The Siren Song of fanatics becomes most seductive when economic, political, social, and cultural crises combine, and when people feel that they have been repeatedly humiliated. *Any policy which increases the feelings of humiliation of the people of the region is simply throwing gasoline on the fire.*

The Rage of the Young.

The utopian fanaticism of al-Qaeda and other groups is nourished by the deep despair of huge numbers of young Middle Easterners, two-thirds of whom are below the age of 30, half of whom are younger than 20, and 40 percent of whom have yet to reach their 15th birthday. The first major social element in the noxious cocktail of religious radicalism in the region is the phenomenon of the "youth bulge."

The key demographic facts of the region are that the population is still growing rapidly, but fertility rates have declined considerably during the past decade.

According to the World Bank, the population of the Middle East and North Africa is now growing at about 2.1 percent per year. At this rate, the population will double in about 34 years. On the other hand, population growth rates have fallen sharply in the past 10 years (from 3.2 percent in the mid-1980s to 2.7 percent in 1990-95 to 2.1 percent in 2001). Sharp fertility declines caused this change; there are reasons to expect further falls.

This generalization hides substantial variation across countries and regions. (See Table 1.) Although population growth rates and total fertility rates have fallen markedly in Egypt, Iran, and Tunisia,

they have remained stubbornly high in Gaza and Yemen. Indeed the total fertility rates in Gaza (7.6) and Yemen (7.1) are among the highest in the world. The Gazan rate is also very high in relation to per capita income, a phenomenon which is also observable in the Arab Gulf countries.

Country	Population ¹⁰	Population Growth Rate (Percent) ¹¹	TFR ¹²
Afghanistan	26.8	2.5	6.0
Algeria	31.8	2.2	3.4
Bahrain	.64	1.9	3.0
Egypt	68.5	1.9	3.4
Gaza	1.2	4.5	7.6
Iran	71.9	2.5	4.3
Iraq	24.7	3.6	6.1
Jordan	4.7	3.1	4.8
Kuwait	2.1	1.9	3.4
Lebanon	3.6	1.6	2.3
Libya	6.1	3.7	6.2
Morocco	30.2	2.0	3.4
Oman	2.5	3.3	6.1
Pakistan	41.2	2.4	4.9
Qatar	.75	1.3	3.5
Saudi Arabia	22.2	3.3	6.4
Somalia	7.0	2.8	7.0
Sudan	33.5	2.9	5.7
Syria	17.8	3.2	5.6
Tunisia	9.6	1.5	2.4
Turkey	66.6	1.6	2.5
UAE	2.4	1.6	3.6
West Bank	1.7	3.2	4.9
Yemen	17.5	3.3	7.1

Source: U.S. Bureau of the Census: <http://www.census.gov/ipc/prod/wp98/wp98.pdf>.

Table 1. Population Data for Selected Middle Eastern and Other Muslim Countries.

Populations will continue to grow despite falling fertility rates because fertility remains well above replacement levels and because past population growth ensures that many women will soon enter their child-bearing years (so-called “demographic momentum”). Many countries of the region will experience considerable additions to their populations during the coming 15 years. (See Figure 1.) The population of the region may reach roughly 600 million by 2025, some six times more people than in the 1950s. Such growth poses numerous economic challenges, from areas ranging from food and water to jobs to housing.

Several implications follow from this demographic pattern. First, and for our purposes, the most important, is that *most Middle Easterners are young: half of all Arabs, 54 percent of all Iranians and 52 percent of Pakistanis are younger than 20 years old.* (See Table 2.) Two-thirds of Saudis are younger than 25, and two-thirds of all the people of the region are under thirty. (By contrast, only slightly more than one-quarter of the populations of developed countries—the United States, Canada, European Union (EU), Australia and New Zealand (A/NZ), and Japan—are under 20.) As Kepel stresses,¹³ this age structure first emerged in the 1970s—perhaps not entirely coincidentally, the same decade as political Islam surged. Note, however, that this picture will *not* change markedly in the next generation: By 2025 the number of people aged 0-14 years will roughly double; in that year, roughly two out of five Near Easterners are projected to be younger than 20.¹⁴ When we think of questions such as “*what are the impacts of our policies on Arabs?*” we are in fact asking, “*what are the impacts of our policies on young people?*”

Second, as Williamson and Yousef have argued,¹⁵ the rapid fall in fertility may lead to a rapid decrease in the “dependency ratio” (the number of people under 15 and over 65 to the working-age population). When this has happened elsewhere, as in East Asia in the 1970s and 1980s, dramatic increases in national savings rates ensued. For Williamson and Yousef, the demographic change caused the savings change (this is the natural result of their life-cycle savings model). They are quick to note, however, that whether or not

Growth Population From 2000 to 2015

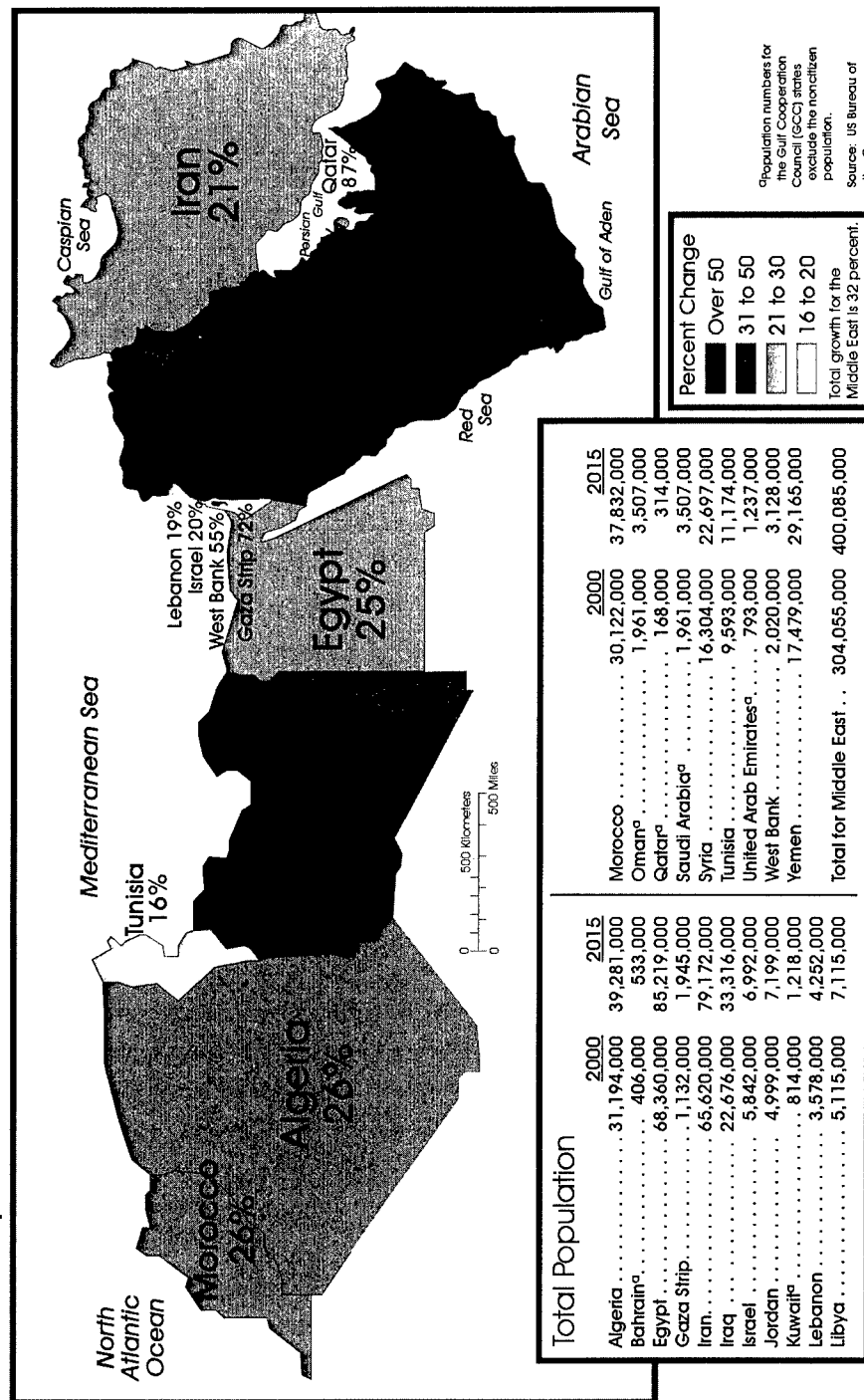


Figure 1.

Percentage of the population which is:

Country	<15 years old	<20 years old
Afghanistan	43 %	53 %
Algeria	38	50
Bahrain	31	38
Egypt	36	47
Gaza	52	62
Iran	43	54
Iraq	47	58
Jordan	43	54
Kuwait	32	42
Lebanon	30	41
Libya	48	58
Morocco	36	47
Oman	41	51
Pakistan	34	52
Qatar	27	35
Saudi Arabia	43	52
Somalia	44	54
Sudan	45	56
Syria	46	57
Tunisia	32	42
Turkey	31	41
UAE	32	41
West Bank	45	56
Yemen	48	60
Developed Countries *	19	26
Less Developed Countries	34	43

* EU, Japan, U.S., Canada, A/NZ.

Source: U.S. Bureau of the Census: <http://www.census.gov/ipc/prod/wp98/wp98.pdf>.

Table 2. Youth as Percentage of Total Populations.

such savings find their way into productive and job-creating investment depends on many other factors. Nevertheless, in the sea of "bad news" about the region's political economy, it is well to be reminded that not all is bleak.

For the first time in history, many of these youths have received some education. Although the region lags behind other parts of the developing world such as Southeast Asia, China, and Latin America, nevertheless, school enrollments and literacy have risen dramatically during the past generation. For the first time in history, most Arabs, and most Iranians, can read and write (this is still not the case in Pakistan, however, where only just over two-fifths of adults are literate). As usual, considerable variation exists among countries: more than three-quarters of adults are literate in Iran and Kuwait, while adult literacy stands at between one-half and two-thirds in Algeria, Iraq, Libya, Tunisia, Saudi Arabia, and Syria. Only about half, or fewer, of all adults are literate in Egypt, Morocco, Sudan, and Yemen.

But even in a laggard like Egypt, virtually all children are enrolled in school. School enrollments have exploded throughout the region. The pattern has been uneven, particularly between genders. In most countries, boys were in school long before their sisters were enrolled. Today, however, not only all boys, but all or nearly all girls are enrolled in primary school in Algeria, Egypt, Jordan, Lebanon, Libya, Syria, and Tunisia. Roughly 60 percent of all adolescents are enrolled in secondary school in the region. In Saudi Arabia, all boys are enrolled in primary school, but only 75 percent of girls are in school. In the most backward countries, such as Sudan and Yemen, most girls are still not in school. In Yemen, for example, although nearly all boys are enrolled in primary school, only 40 percent of girls attend primary school. In Morocco over one-third, and in Oman roughly one-fourth, of girls are not in primary school. Despite the appallingly vast waste of human resources which such under-enrollment of girls represents, the past generation has seen an educational revolution throughout the region.

Several consequences follow. *First*, some analysts believe that the gap between girls' and boys' education contributes to the appeal of Islamists and Salafists.¹⁶ In this rather hopeful view, part of the origins

of political Islamic radicalism, including its relentless focus on rigid gender segregation, lie in the differential educational levels which only the current generation will experience. For earlier generations, both men and women were largely entirely uneducated. And, in the immediate future (and the future is now in Iran) everyone will be at least minimally educated. Fargues posits this gap as part of the explanation for the appeal of the Salafi Islamists today.¹⁷

Second, rapidly spreading education is part of the social background to what the historian Richard Bulliet has called the “crisis of authority” in Islam.¹⁸ How is it, after all, that any engineer can issue his own *fatwa*? In previous centuries, such pronouncements were the exclusive prerogative of a small, relatively privileged elite of traditionally educated Islamic scholars (the *ulama*). Today, however, the widespread diffusion of education joins with the absence of hierarchical controls on religious edicts in Islam (in contrast to, say, the situation in Roman Catholicism) to produce the “religious anarchy” that provides the cultural space for radicals to promulgate and advocate their messages.

As Gilles Kepel and others (e.g., Richard Bulliet) have argued, centralizing nationalist states of the 1950s and 1960s contributed to this problem. Earlier, the semi-independence of the *ulema* allowed them to play a mediating role between arbitrary state power and the populace. Once the *ulema* were formally incorporated into the state itself, they lost their mediating role along with their independence. Consequently, the “social space” of religious criticism of tyranny was vacated, to be occupied by political Islamists.

Third, the quality of the education received during this explosion has left much to be desired. Throughout the region, education stresses rote memorization, with little if any emphasis on analytical thinking and problem solving. In some countries, much time is devoted to religious instruction: in Saudi Arabia, 30 to 40 percent of all course hours are devoted to the study of scripture.¹⁹ Expectations have been raised, but the skills to meet those hopes have not been imparted. Millions of young men now have enough education to make the old, difficult, dirty jobs unsatisfying, but haven’t acquired the skills needed for the modern hyper-competitive global economy.

Fourth, thanks to past population growth, the Middle East has

the most rapidly growing labor force in the world (3.4 percent per year, 1990-98). In some countries, the situation is even more serious: Algeria (4.9 percent), Syria (4.8 percent), Yemen (5.6 percent). By way of comparison, the labor force in the EU has grown at some 0.4 percent per year during the past decade, while the American labor force has grown at about 0.8 percent. *In other words, the labor force in the Middle East is growing four times as rapidly as the American labor force, and eight times as rapidly as the European labor supply.* Although the rate of growth attributable to past population growth will decelerate in some countries (e.g., Tunisia) during the next 10-15 years, the decline in fertility is, as always, accompanied (plausibly, largely caused by) rising female education—which also and simultaneously leads women to seek to enter the labor market. It is highly unlikely that the growth of the labor supply will decelerate within the medium term.

At the same time, the demand for labor has grown sluggishly. Simple economics tells us that, given such a mismatch between the growth of demand and supply, either the wage will fall, unemployment will rise, or (most likely) some combination of both will occur, with the precise mix varying with specific labor market structures. Government policies have not only reduced the rate of growth of the demand for labor, but have also fostered inflexible labor markets. (See below for more on government economic policy failure). Decades of government job guarantees for graduates have induced students to seek any degree, regardless of its utility, since a degree by itself has long been a guarantee of a government job. Governments cannot now provide the necessary jobs, but statist policies impede private sector job creation.

Several generalizations about unemployment in the region may be made. First, current levels of unemployment are high (see Table 3), and the problem will probably get worse in the near-to-medium run. In some countries, levels of unemployment are similar to those seen in the United States only during the worst days of the 1930s. Unemployment primarily affects young, semi-educated, urban people, whose anger fuels political unrest. Second, real wages have stagnated for roughly a generation, and poverty levels have, depending on the country, either remained roughly the same or

increased during the past decade. Third, stagnant real wages and difficulties finding employment greatly stimulate the desire of the young to leave their country.

Country	Unemployment Rate	Remarks
Algeria	30%	1999
Egypt	12%	2000. Some estimates show 20%
Iran	20-25%	2001
Jordan	15%	Official Rate. CIA gives 25 - 30%. (1999)
Lebanon	18%	1998
Libya	29%	2000
Morocco	15 - 22%	2000
Saudi Arabia	14 - 18%	Higher among graduates
Syria	12 - 15%	1999
Tunisia	16%	1999
Yemen	35%	1999

Sources: Saudi Arabia, United States Embassy, Riyadh, and NYT, 8/26/01; Iran, Eric Rouleau, *Le Monde Diplomatique*, www.en.mondediplomatique.fr/2001/06/05iran; all others: MEDEA Institute (European Institute for Research on Mediterranean and Euro-Arab Co-operation), and *CIA World Fact Book*.

**Table 3. Unemployment in the Middle East:
A Compendium of Estimates.**

For decades, international migration has provided a safety-valve for the pressure on domestic labor markets. Migrants, particularly North Africans, moved to the EU, while Egyptians, Yemenis, and Masraqis sought work in the Gulf during the oil boom years. Three political consequences have ensued.

1. The migrants to Europe, who may have intended to be "temporary migrants" have tended to stay. Their children, often called "second-generation migrants" face particularly challenging problems of education, employment, housing—and identity. It is

perhaps unsurprising that quite a number of second-generation immigrant Muslims in Europe have been attracted to Salafi and other radical doctrines.

2. Migrants to the Gulf often did return to their home countries, not only richer, but also more socially conservative, associating their good fortune with the Wahhabi customs and outlook where they prospered. The phenomenon even had a name in Egypt: "*al-gulfeyya*."

3. The expulsion of migrants from Jordan, Palestine, and Yemen during the Gulf Crisis of 1990 embittered many, and imposed serious costs on their respective national economies.

What is the state of poverty in the region, and what, if any, are its political consequences? Only sketchy data are available on poverty from the Middle East News Agency (MENA).²⁰ Existing information is also quite contradictory, which is hardly surprising. After all, "poverty" is the modern equivalent of classical political economy's "subsistence," defined as some set of commodities without which a person or household is thought to be sufficiently deprived as to be defined as "poor." Reasonable people differ sharply over the definition of the "necessary basket of commodities."

Serious issues also bedevil the selection of an appropriate price vector to be used in calculating the cost of the basket (e.g., do the poor actually pay the "national average" price?). Given these disagreements, it is not surprising that different studies use different poverty lines. And these difficulties are limited to an estimate for a single time period. In the MENA region, considerable rainfall variability and occasional political and economic turmoil make it difficult to draw conclusions about long-term trends from data for a few years.

Since the *World Development Report* of 1990, the World Bank has used the "\$1 PPP" or "\$2 PPP" measures of poverty. Data from two World Bank sources²¹ suggest that, at the international poverty line of \$1 in expenditure per person per day at 1985 PPP, the poverty rates are low except for Yemen, a country with one of the lowest

per-capita income levels in the region. For the six countries covered by van Eeghen—Algeria, Egypt, Iran, Jordan, Morocco, and Tunisia—the 1990 aggregate poverty rate was around 6 percent. Using this measure, poverty in MENA appears to be relatively limited compared to other regions in the developing world. With a poverty line of \$2 the rates jump, an indication that a substantial population share lives on expenditures between \$1 and \$2 per person per day. Using the \$2 poverty line, van Eeghen estimates an aggregate poverty rate of around 25 percent. National poverty lines vary widely; on average they tend to be closer to the \$2 line.

In fact, the Bank's \$1 PPP poverty line, which was designed to reflect the standards of what it means to be poor in a poor country, seems too low for most MENA countries. The \$1 line is far below average \$PPP per capita incomes for most countries: the ratio of per capita GNP to the poverty line, both measured in PPP dollars, is unreasonably high when compared with a similar calculation for the United States. In the United States, GNI per capita is about 6.5 times greater than the poverty line, whereas corresponding MENA figures are Egypt (9.9), Jordan (11.4), Morocco (8.8), and Tunisia (13.8).²² In addition, there are other problems with the World Bank's estimates, perhaps most importantly related to the lack of data that are needed to construct price indices for the consumption baskets of the poor. Reddy and Pogge²³ find that simulations using alternative PPP indices can raise estimates of poverty by 25 percent to 100 percent.

From a political perspective, what counts is the relative, social definition of poverty. Poverty is always and inevitably partly relative: poor people in Egypt, Jordan, or Algeria (and those who sympathize with their plight) do not compare themselves with the poor in Bangladesh or Madagascar; they feel "poor" relative to their fellow Egyptians, Jordanians, or Algerians. It follows that higher estimates of poverty are more politically relevant.

While there are disagreements on poverty headcount levels, something of a consensus is emerging on poverty trends—which is more relevant from a political perspective. Most analysts²⁴ agree that aggregate poverty rates in MENA fell during the years of the oil boom (from the mid 1970s to the early-to-mid 1980s) but started to rise after that. At the level of individual MENA countries, Adams and

Page²⁵ (2001) note that Jordanian poverty, which rose precipitously 1988 to 1992, has fallen but still remains higher than in 1988. Other analysts also find that, despite the decline in Jordanian poverty from 1992 to 1997, poverty in the latter year "remained far higher than it was in 1988."²⁶ Similarly, a Ford Foundation review of the lively debate over poverty trends in Egypt concludes that there was a large rise in the poverty headcount from 1981-82 to 1990-91 (from 29.7 percent to 42.4 percent) and that, although the rate of poverty increase slowed down during the 1990s, by 1995-96 (the last year for which there are data) the poverty headcount stood at 48 percent of households.²⁷ A study of poverty in Yemen found that the number of families suffering from malnutrition rose from 9 percent in 1992 to 27 percent in 1999.²⁸ An International Development Research Centre (IDRC) report concludes that "the proportion of people living in poverty appears to be rising in most of the region's middle and lower income countries."²⁹ Finally, some of the countries for which data are missing—most importantly Iraq and Sudan—have large populations and relatively high poverty rates (although the exact magnitudes are not known).

There are other reasons to believe that, despite the difficulties of definitions and data, the problem of poverty may be worsening in the region. Ali and Elbadawi³⁰ cite three factors that seem likely to be the key drivers of the rise in poverty. First, unemployment, despite measurement difficulties is not only high, but also rising in many countries. Second, most job creation has occurred in the low-wage informal sector, not in higher paying formal sector employment. And finally, there is much evidence of falling real wages in formal sector urban employment. One might add that in some countries, including Egypt, real wages in agriculture have been falling as well.³¹

What are the political consequences of poverty? Poverty provides a fertile recruiting ground for opponents of regimes (and therefore poses a challenge to governance) in at least two ways. First, some poor people, particularly younger ones with some (often limited) education, join violent opposition movements. The basic profile for the rank-and-file of many of today's violent radical Islamic groups is a young person with some education, who may also have recently

moved to the city. Such young people are often unemployed or have jobs below their expectations. In North Africa, they are colorfully known as the "*hetistes*."³² Some evidence from Egyptian arrest records suggests that many of those arrested for violent activities against the regime come from the shanty towns surrounding large cities—that is, from some of the poorest urban areas of the country. Ahmed Rashid has recently argued that the rise of Islamist radicalism in Central Asia is also related to the problems of youth unemployment there.³³ Most recently, the Muttahida Majlis-e-Amal (MMA, the alliance of Islamist parties in Pakistan) attracted poor voters because, as one poor Pakistani who voted for them said, "Nawaz and (Bhutto) just stole from us, the religious parties come from the poor, and they will help us."³⁴ Even if the leadership of these parties do not, in fact, "come from the poor," in politics, perceptions are what counts.

The tenacity of violent opposition in Upper Egypt during the past 2 decades is also plausibly related to poverty. The *Sa'id* (Middle and Upper Egypt) is the poorest region in the country. Moreover, there, as elsewhere in the country, poverty has been rising during the past 10 years. The poverty situation deteriorated during the past decade, thanks to the collapse of unskilled wages. These had risen over 350 percent in real terms from 1973 to 1985, largely thanks to emigration for work in the Gulf States (public job creation also played a role). With the collapse of the regional oil industry in the war-related migration to Iraq, and in the ability of the public sector to create jobs, wages for unskilled workers fell by over 50 percent. As *Sa'idis* increasingly move to cities, they "export" the problem of Islamism to more visible locations, such as the major cities of Egypt.

The lack of new jobs is particularly acute since the long-run problem has and in many cases will continue to worsen in the short run. The demand for labor has grown sluggishly because output growth has lagged, and also because of specific policy biases against labor-intensive, job-creating growth. Not only do the statist, inward-looking policies sketched above retard growth; they also raise the capital-intensity—and reduce the job-creating impact—of whatever growth does occur. But changing these policies requires laying off workers in state-owned enterprises and the bureaucracy, a move which frightens many leaders.

Not by Bread Alone.

The employment problem is the most politically volatile economic issue facing the region during the medium term, as it encourages many of the relatively educated, young, urban residents to support radical Islamist political movements. One must be cautious here, however. The problems of the "youth bulge" and rampant youth unemployment are at least as severe in sub-Saharan Africa. Yet we hear little of Congolese international terrorism, for example.³⁵ *Many* complex political and cultural forces are behind the various kinds of Islamist political movements; no "economic determinism" is implied here. To understand how and why the discontent spawned by unemployment takes a specific political and ideological form, one cannot have recourse to demography and economics alone: we must also look at political structures and ideological environments.

The Ayatollah Khomeini is reported to have said that, "the revolution is about Islam, not the price of melons." Much deeper issues of identity and legitimacy are at stake. For example, we should remember that although unemployed, frustrated young men throughout the region can turn to Islamism, they can also turn to drugs and crime, to apathy, indifference, muddling through, dogged hard work, or any number of other, personal "coping" strategies. The decision to join a revolutionary movement is a deeply personal, idiosyncratic one. Socio-economic contexts are important for understanding these movements, but they hardly provide a full explanation for them. Nevertheless, huge numbers of discontented young men (and women) are a major threat to internal stability throughout the region.

We might view the importance of youth unemployment in a different way. Youth politics have always and everywhere focused not merely on material goods, but also on questions of identity, justice, and morality. (Consider the politics of American "Boomers" during the 1960s.) Impatience—and Manichean thinking—are among the burdens of youth politics, whether in Berkeley or in Cairo. And, as criminologists tell us, resort to violence is also overwhelmingly a youth phenomenon. The presence of millions of un- or underemployed young men, in the specific political and

cultural milieux of the region, constitutes one of the tangled roots of radicalism.

The Jungle of Cities.

The discontent of these young people is exacerbated by the fact that most of them now live in cities—cities which are crumbling. The number of urban Middle Easterners has increased by about 100 million in the past 35 years. Roughly half of the population of the region now lives in cities. The number of urban dwellers is expected to rise from its current level of over 135 million to over 350 million by 2025. From 1985 to 1990, the most rapid growth was in secondary cities—6 percent—compared with a growth rate of 3.8 percent for the 19 largest cities with populations over 1 million in 1990. This trend has continued during the 1990s. (See Table 4.) Public services and utilities are already overwhelmed; in Jordan and Morocco, for example, one-third of the urban population lacks adequate sewerage services. Urban water supplies are often erratic. Governments attempt to provide urban services through heavy subsidies. These strain government budgets, and thwart the necessary investments to extend and improve services.

The rapid urbanization of the region erodes governments' legitimacy in at least three ways. First, the rapid growth of cities strains infrastructure—and government budgets. Governments' perceived inability to cope with mundane problems like housing, sewerage, potable water supply, and garbage collection further weakens already strained regime legitimacy. Second, the process of migration from rural to urban areas has always been a disorienting process for many migrants. Whether in Ayachuco or Asyut, the mix of rural-urban migration with discontented provincial intellectuals has proved highly toxic (but, so far, not fatal) to existing governments. The disoriented, recently arrived rural migrants to cities provide fertile fishing ground for Islamic militants, particularly when the (allegedly) decadent mores of the cities shock the sensibilities of recently arrived migrants. The problems are also made more acute by the difficulties which migrants sometimes find in obtaining work (e.g., in the Maghreb). Third, urban discontent is clearly more

Country	Percent
Algeria	59.5
Egypt	45.0
Iran	61.1
Jordan	73.6
Lebanon	89.3
Morocco	55.3
Pakistan	36.5
Saudi Arabia	85.1
Sudan	35.1
Syria	54.0
Tunisia	64.8
Turkey	74.1
Yemen	24.5

Source: UNDP, *Human Development Report*, 2001. NY: Oxford University Press, pp. 154-157.

**Table 4. Urban Population as Percent of Total Population, 1999,
in Selected Middle Eastern and North African Countries.**

politically volatile and dangerous to regimes than is rural discontent in the region. Rapid urbanization strains budgets, legitimacy, and governance, while swelling the ranks of regime opponents.

Consider the example of Karachi. This city had one million inhabitants at the time of independence, but now holds at least 11 million people, and will grow to perhaps 20 million by 2015. The managers of such cities are completely overwhelmed. The systems providing water, electricity, transportation, health care, and education are all swamped. Meanwhile, the one place in the slums which is cool while the outside is hot, the one place which is clean while the outside is filthy, the one place which is calm where outside is only chaos—is the mosque. Government policy has played an important role here: government incapacity, and the “abandonment of public space” to private, Islamist schools, clinics, hospitals, and welfare agencies, have done much to advance the fanatics’ cause

Some analysts, such as Gilles Kepel, see reasons to be hopeful.³⁶ He contends that the social disorientation of the first generation of rural migrants to the cities fueled much of the appeal of radical and other Islamist movements. Stating that this process is decelerating, he therefore argues that this particular root of radicalism is likely to shrivel over time. This contention has much to recommend it, but unless the above arguments on how dysfunctional urbanization helps radicals is wrong, the deceleration of rural to urban migration (which itself is not a foregone conclusion in all countries (see Table 4), is unlikely to be sufficient to undermine their appeal in the cities.

"But the September 11 Terrorists Were All Privileged!"

A number of observers³⁷ have objected that, so far as we can tell, most of the criminals of September 11 were privileged and educated. Krueger and Maleckova conduct a regression analysis of arrested Palestinians using income and education data, and conclude that "poverty does not cause terrorism"—that is, the arrested youth are neither relatively poor nor uneducated. There are two problems with inferences from such findings. First, it is far from clear that a similar result would obtain in, say, Algeria, Egypt, Pakistan, or Uzbekistan. Second, the research asks the wrong question ("Are terrorists uneducated and/or poor?"), and, therefore, unsurprisingly yields uninteresting answers. The real question, "How does poverty contribute to Islamic radicalism," requires a more nuanced analytical approach.

The social problems sketched above, including poverty, contribute to the existence of Islamic radicalism in several ways. In the first place, we should remember the famous quip of George Orwell: "Revolutionaries can always pronounce their aitches." Revolutionaries are often, even typically, from relatively privileged backgrounds. Lenin was no *muzhik*. Mao tse-tung was the son of a rich peasant. Yet the conditions of Russia and China in their respective youths profoundly shaped their perspectives. People who knew Mohammed Atta in Germany heard him speak of the "fat cats" running Egypt. Most people find the presence of widespread poverty and human degradation offensive. We are thinking,

reasoning beings: we look around us, and then draw our own conclusions. The presence of widespread socio-economic dislocation delegitimizes regimes in the eyes of those who spend much of their time thinking about what they see, such as intellectuals, journalists, and students. It is entirely unsurprising that the "shock troops" of a revolutionary movement are educated and privileged. It would be quite a-historical to argue that their existence—and their appeal—is independent of the social conditions of their societies.

It is also worth remembering that the phenomenon of Islamist radicalism is far wider than al-Qaeda. Movements in Algeria, Egypt, Palestine, Pakistan, Yemen, Central Asia, and Southeast Asia include many diverse actors. Indeed, Gilles Kepel's optimistic account³⁸ is fundamentally a story of the alliances—and cleavages—between two large social groups, the disenfranchised urban poor and the "devout middle classes." He argues that, although the poor are drawn to Islamist politicians, the latter have been able to seize power only when they could forge such an alliance (as during the Iranian revolution). I would argue that, beyond such alliances, the continued presence of societal distress on the scale evident in the region, contributes to (note that the verb is not "cause") the continued appeal of Islamist radicals, not only among the poor but also among the "lumpen intelligentsia" of unemployed middle-class high school and university graduates. Monocausal explanations of complex historical phenomenon are always foolish. This hardly means that socio-economic conditions are irrelevant to their genesis.

A Historical Analogy.

An historical analogy may be illuminating here. The fanatics of al-Qaeda display a family resemblance to the so-called "Nihilists" and other terror-prone would-be revolutionaries of 19th century Russia, as described by the Hungarian writer Tibor Szamuely:

The Russian intelligentsia was a social stratum composed of those politically aroused, vociferous, and radical members of the educated classes who felt totally estranged from society . . . The alienation of the intelligentsia from society was to a great extent inherent in the country's rudimentary social structure . . .

unlike the West, Russia had no interest groups capable of giving strength, support and substance to the intellectuals' protest . . . The Russian intelligentsia had neither a place nor a stake in the existing order of things.³⁹

The author goes on to argue that, just as the educated young men who piloted planes into the World Trade Center could easily have found well-paying jobs, there were considerable opportunities within the Tsarist bureaucracy for men of talent in the Russian Empire. But, like the al-Qaeda *mujahidiin*, many Russian intellectuals chose to spurn this path: "The *intelligent* . . . himself rejected the idea of serving a system founded on injustice, oppression and misery."⁴⁰ That is, ideas matter—and ideas are not formed in a socio-economic vacuum.

Further similarities emerge. For example, in Russia during this period, as during the past generation in the Middle East and wider Muslim world, there was a dramatic expansion of the universities, whose doors opened for the first time to relatively less privileged young men, often from rural backgrounds.

(After the Crimean War) there was a marked shift in the social composition of the student body in the universities . . . it came to be made up more and more of so-called *raznochintsy*, "people of diverse rank": sons of clergymen, peasants, petty officials, army officers, artisans, tradesmen who had become divorced by virtue of their education or inclination from their fathers' social station and could no longer fit into the official estate system.⁴¹

In a manner which Szamuely finds "very understandable," instead of being grateful for this opportunity for upward mobility, the "student-*raznochinets* brought with him a deep sense of the injustices of Russian life . . . [which] rapidly turned into hatred of the existing order."⁴² Szamuely also notes that the intolerant utopianism of the student revolutionaries was a mirror-image of the violence of the Tsarist state. Here, too, there are important parallels with the current situation in many Muslim countries.

The Failure of Governments.

The incompetence and authoritarianism of many Muslim and

Middle Eastern governments strongly fosters Islamist radicalism. These governments are overwhelmingly unelected, unaccountable, and corrupt; they provide no legitimate outlet for youth discontent. Unsurprisingly, these governments are widely despised by their young people. The old ideologies of these governments, largely varieties of nationalism, are also perceived as failures. The old ideology has failed to deliver material goods or a sense of dignity either at home or abroad. The half-century failure of Arab states to resolve the Palestinian situation and the inability of Pakistan to ease the lot of Kashmiri Muslims have contributed to the evident corrosion of regimes' legitimacy in the eyes of youth. Nationalism has not disappeared; it has been assimilated into the Islamists' discourse. And, as George Orwell once said, "the nationalism of defeated peoples is necessarily revengeful and short-sighted."

Governments are rightly faulted for countries' dismal economic performance. During the past 20 years, Organization for Economic Cooperation and Development (OECD) countries have seen their per capita incomes rise at some 1.4 percent per year. East Asia (excluding Japan) has, of course, grown much faster, at 5.8 percent per year, a rate which doubled per capita incomes in 12 and 1/2 years. Even Latin America, with its notorious "lost decade" of the debt-ridden 1980s, saw per capita incomes rise at just under 1 percent per year during the past 2 decades. By contrast, per capita incomes in the Arab states today are little different from what they were in 1980; some analysts would argue that per capita growth has actually been negative,⁴³ which is clearly the case for some countries, notably the Kingdom of Saudi Arabia. Real wages and labor productivity today are about the same as in 1970. This performance is worse than that of any other major region of the world except for the countries of the former Soviet Union and sub-Saharan Africa.

The reasons for this woeful record are well-understood. A baleful combination of vast economic rents, authoritarian and centralizing states, and the fashion for import-substitution of the third quarter of the 20th century generated inward-looking political economies dominated by the state. Oil wealth has rendered the public purse independent of taxation of the populace: no representation has been fostered by no taxation. Because oil money flows directly into the public purse, it fosters corruption. The role of the state in the

economy was—and remains—unusually large, whether measured by percentage of output or employment. (See Figure 2.) Dismantling such inherited structures has proved difficult, and the process of economic reform has often been tentative, dilatory, and slow.

Sluggish reform combined with continued regional conflict and uncertainty have undermined private investment, whether of locals or of foreigners. Consequently, the demand for labor has grown slowly, while, as we have seen, the supply has soared. Government economic policy failure is the other “blade of the scissors” producing unemployment, falling real wages, stagnant per capita incomes.

What Is To Be Done?

How can we reduce the appeal of utopian fanatics? We should

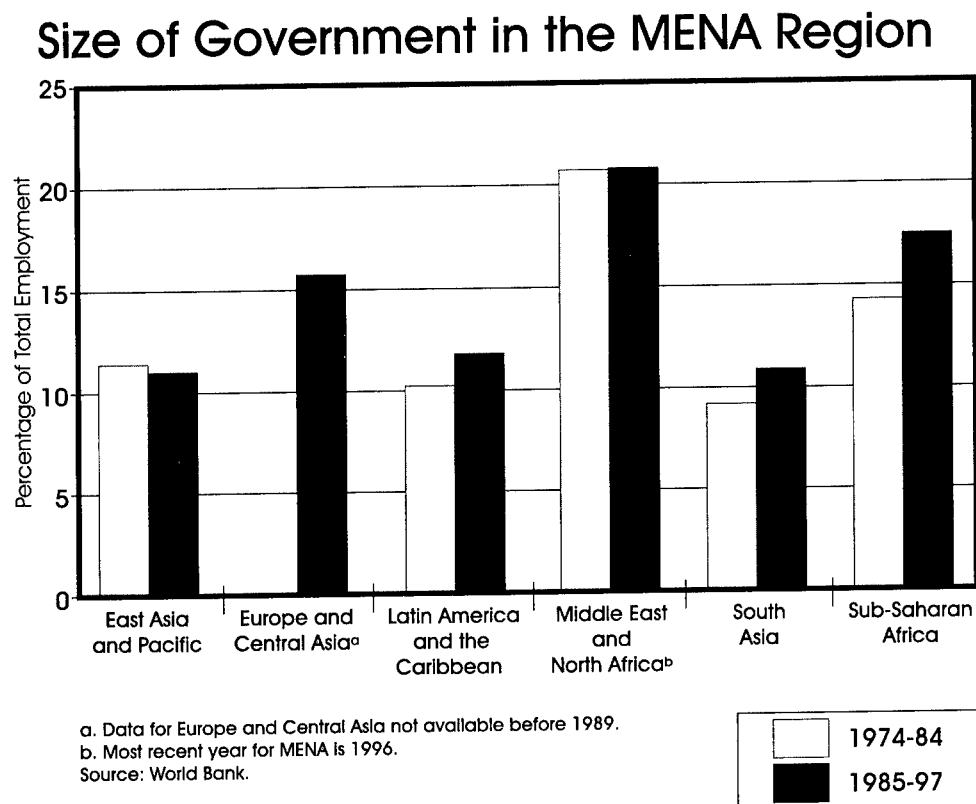


Figure 2.

approach this problem with considerable humility. Take the economic crisis. A strong case can be made that Middle Eastern economies have failed, thanks to institutional—and political—deficiencies. Outsiders can do very little to promote institutional change, as the United States learned to its dismay, in Russia and elsewhere. Similarly, resolving the deep cultural crisis of contemporary Islam's confrontation with modernity can only be done by Muslims. Non-Muslim Americans are largely by-standers in this process, as well.

Take the problems of the economy. The region has been slow to embrace the international consensus (the "Washington Consensus") on what economic policies ought to be adopted to improve economic management, and thereby to restore growth of incomes and job creation. This view holds that only a private-sector led, export-oriented economic development strategy has a chance of coping with the development challenges facing the region. This consensus is best articulated by the World Bank and the International Monetary Fund (IMF),⁴⁴ but it has many other adherents, particularly in the U.S. Government and in American academia and think-tanks.

The usual policy recommendation is to push harder for Middle Eastern regimes to "reform their economies." However, there are reasons to fear that, although the Washington consensus has virtues, it, too, is likely to fail. This is especially so for two groups of countries, the very poor nations and the relatively rich states of the Gulf Cooperation Council (GCC).

For the poorest countries, exports are highly unlikely to provide either adequate food security (which is an increasingly serious problem, given population growth and water constraints)⁴⁵ or sufficient numbers of jobs. At the same time, while domestic productive capacity has been and is being damaged by population growth and property rights issues (e.g., for groundwater); natural resource degradation may have gone so far as to be very difficult to reverse. Note that the enthusiasm for private market solutions is unlikely to be very helpful when severe negative externalities exist. Further, thanks to past population growth, the labor force is growing so rapidly that provision of sufficient jobs via the "private sector-led export model" is simply not credible: infrastructure is far too poor, and the labor force is overwhelmingly illiterate. The grim facts are

that, at best, economic development in such countries is mainly a "holding action," designed to prevent further deterioration and the consequent complete breakdown of order. In addition to the human suffering such breakdowns always bring, the danger, of course, is that the anarchy of a Somalia or Afghanistan provides excellent havens for terrorists and other organized criminals.

Nor does the Washington consensus easily fit the GCC states. The problems here are, in the first instance, largely fiscal. The relief which the last several years have afforded seems unlikely to last: the "rent ceiling," given by alternative energy production costs, is perhaps about \$25 per barrel. Even at this maximum (and relatively unlikely) price, revenue would be short. The imperatives of spending have (at least) three proximate causes: the perceived need to spend heavily on 1) defense, 2) consumer subsidies, and 3) public sector job creation. The GCC states have local populations which completely depend upon, and expect to receive, a wide variety of consumer subsidies. Governments' ability to meet their side of the social contract is increasingly in doubt. *Most importantly, the large majority (e.g., in Kuwait, ~ 80 percent) of nationals are employed by the state.* Consequently, shortfalls in government revenue translate quickly into difficulties with employment creation. The need for job creation is particularly acute, given the weakness of a "demographic transition" in the GCC states: mortality rates have fallen sharply, but fertility rates have fallen only very moderately and remain very high by international standards. (See Table 1.) High rates of population growth 15-20 years ago translate into very rapidly growing labor supplies today. The private sector cannot currently take up the slack in employment creation. The sector is too dependent on state largesse, and relatively too small to do so. Most importantly, however, *the countries of the Gulf have limited comparative advantages in non-oil goods or services.* Wage rates, seriously inflated by past oil rents and current consumer subsidies, are far too high to compete in low wage activities, but skills are too low to compete in more sophisticated activities.

The orthodox economic growth strategy also faces formidable obstacles in other countries of the region where the strategy might more plausibly work, in the so-called Newly Industrializing

Countries (NICs), like the North African countries, Egypt, Iran, and, possibly, Jordan. Here the needed policy shifts may themselves be destabilizing, not only because the necessary changes involve austerity, but also because special interests which are major props of regime support—and who occupy important subsidized positions within the bureaucracy—face important challenges. Examples of the latter range from East Bank Jordanians to Egyptian workers in state-owned enterprises.

Over the longer haul, the needed changes are also likely to be destabilizing in another way: attracting the necessary volume of investment in the region will almost certainly require greater governmental accountability and more transparent rules of the economic game. This is not to say that democracy is needed for growth; it is merely to suggest that it is very unlikely that regimes will attract the necessary private capital from their own citizens or from foreigners if regimes persist in their arbitrary, authoritarian practices. Since there are good reasons to suppose that continued authoritarianism is, in itself, one of the roots of Islamic radicalism⁴⁶, and since continued unaccountable governance undermines economic growth, institutional change in the direction of greater participation and enhanced governmental accountability is almost certainly necessary if the countries of the region are to achieve stability in the longer term.

The problem, of course, is that managing the transition from the current situation of authoritarian unaccountability is likely to be rocky—and destabilizing. What are you up to? Inevitably there will be failures as well as successes. Given recent history, it should be obvious that even relatively successful regimes may well be hostile to many U.S. foreign policies. Much hypocrisy has poisoned public debate on these issues in the United States: we are simultaneously told that 1) the “Arab street” doesn’t matter, and 2) regimes are actually in favor of our overthrowing the government of Iraq, but they can’t say so publicly. The inconsistency here seems to bother few observers. To paraphrase that darling of the neo-conservatives, Winston Churchill, more democratic regimes in the region are likely to be the worst of all possible outcomes—except for all the others.

Humility, of course, would help. The truth is that outsiders are largely irrelevant to the process of deep institutional and cultural

change which, alone, can ultimately overcome the profound, multi-tiered crisis facing the Muslim world. Our attempts to promote democracy in the former Soviet Union ran squarely against the burden of Russian, Caucasian, and Central Asian history.

Of course, it is within our power to refrain from making things worse. We can, indeed must, avoid actions which provide arguments to the fanatics, and which discourage those Middle Easterners who would respond differently to the crises facing their societies. Here, of course, our foreign policy plays a vital role. We *must* press on with seeking a settlement to the conflict between Israelis and Palestinians. The sorry legacy of the past 2 years (not to say the last century) means that any resolution will be, to say the least, enormously difficult. Time may be running out for the only viable solution, a two-state solution. Whatever the difficulties, we have no choice but to try. Any seasoned observer of the region knows that it is entirely impossible for the United States to have peace with young Arabs and other Muslims until this situation is resolved. We also have opportunities to contribute to change through modifying our policies toward the Gulf and, perhaps especially, toward Iran. Our energy policies also remain stunningly myopic, as we continue to “pay at the pump” for many a Salafi *madrasa*.

Unfortunately, current indications are that our policies will do little to ameliorate these problems. A dismaying tendency in the current American discourse is to attribute the entirety of the problem to cultural failings in the Muslim world, and to argue that the problems have a largely military solution. The above analysis suggests that this is most unlikely to be true.⁴⁷ Instead of formulating a nuanced policy, combining short-term covert operations against al-Qaeda with medium- to long-run strategies to undermine the appeal of violent Islamist radicals, the Bush administration has adopted a policy which myopically focuses on unilateral military action. Now that we have destroyed the Ba’athist regime in Iraq, we face a dilemma: if we withdraw too quickly, we risk plunging the country into chaos, but if we stay too long, we risk being perceived as colonialists. Falling into either trap would further undermine our standing in the Muslim world. Perhaps we will be both lucky and very skillful (we will need both). Unfortunately, there is a grave risk

of our actions stoking the already intense rage against the United States felt by the political actors to whom the future belongs: young Muslims. Sadly, as of this writing, it seems probable that both American behavior and regional trends will continue to nourish the roots of Islamist radicalism.

Summary of Policy Recommendations.

- Recognize that our past policies have contributed to the origins of this problem. Understand that denial of history does not serve our interests.
- Recognize that the necessary institutional changes must come from within Arab and other Muslim societies. Learn from the failure of “shock-therapy” in the former Soviet Union.
- Subject all policies to the “youth test”—ask: “Could this policy further enrage young Muslims against us?”
- Move—now and forcefully—to create a viable, independent, democratic Palestinian state.
- Understand that genuinely democratic Arab and Islamic polities will include strong representation of Islamists. Accept that although we will have our differences with many of these, we can often still work with all except the jihadist salafis (see list on page 3).
- Adopt domestic energy policies designed to speed the transition to the “post-oil era.”
- Work closely with the EU on all Middle Eastern issues. (What would we think if the EU pursued policies in Latin America that ignored *our* interests?)
- Do everything possible to strengthen intelligence and police cooperation with Arab, EU, and other governments in the struggle

against al-Qaeda and like-minded jihadi salafist terrorists.

ENDNOTES

1. "I am more fearful than ever that I will hopelessly repeat myself, over and over again," Vavclav Havel, "A Farewell to Politics," *New York Review of Books*, October 24, 2002, p. 4. Unlike Mr. Havel, I *know* that I am repeating myself: I draw heavily here on several previous pieces: "Socio-economic Roots of Radicalism," *Naval War College Review*, Vol. LV, No. 4, Autumn, 2002; "The Political Economy of Economic Reform in the Middle East," Santa Monica: RAND, October 2001; and "At War With Utopian Fanatics," *Middle East Policy*, Vol. VIII, No. 4, December 2001. An earlier version of this monograph appears as a Global Policy Brief, Center for Global, International, and Regional Studies of the University of California, Santa Cruz. I am repeating myself, but events in Washington and elsewhere suggest that the material bears repeating.

2. Thomas Homer-Dixon, "Why Root Causes Are Important," *Toronto Globe and Mail*, September 26, 2001.

3. There is nothing "conservative" about these people, particularly in the context of American policy toward the Middle East. They are, in fact, revolutionaries.

4. Avi Shlaim, *The Iron Wall*, NY and London: Penguin Books, 2001.

5. See especially Guilain Denoux, "The Forgotten Swamp: Navigating Political Islam," *Middle East Policy*, Vol. IX, No. 2, June 2002, pp. 56-81; Michael Scott Doran, "Somebody Else's Civil War," *Foreign Affairs*, January/February 2002, pp. 22-42; Quintan Wiktorowicz, "The New Global Threat: Transnational Salafis and Jihad," *Middle East Policy*, Vol. VIII, No. 4, December 2001, pp. 18-38; Graham Fuller, "The Future of Political Islam," *Foreign Affairs*, March/April 2002, pp. 48-56; Gilles Kepel, *Jihad: The Trail of Political Islam*. Cambridge, MA: Harvard University Press, 2002; Daniel Benjamin and Steven Simon, *The Age of Sacred Terror*. NY: Random House, 2002.

6. As argued extensively by Clement Henry and Robert Springborg, *Globalization and the Politics of Development in the Middle East*. Cambridge: Cambridge University Press, 2001.

7. Isaiah Berlin, "Notes on Prejudice." *New York Review of Books*, October 18, 2001, p. 12.

8. *Ibid.*

9. See, for example, Mahmoud Fandy, *Saudi Arabia and the Politics of Dissent*, New York: St. Martin's Press, 1999; and the references cited above in note 5.

10. In millions, 2000.

11. Rate of natural increase, 2000.

12. Total Fertility Rate, 2000. The TFR measures the number of children which a "statistically average" woman will have during her lifetime.

13. *Op.cit*, p. 66.

14. U.S. Census Bureau.

15. Jeffrey G. Williamson and Tareq Yousef, "Demographic Transitions and Economic Performance in MENA," unpublished paper, Harvard University, 1999.

16. Philippe Fargues, "Demographic Explosion or Social Upheaval?" in Ghassan Salame, ed., *Democracy Without Democrats? The Renewal of Politics in the Muslim World*, London: I.B. Tauris, 1994.

17. Although the gap between the percentage of males and the percentage of females in Algeria, Egypt, Iran, Jordan, and Lebanon declined from 1980 to 2000, the gap stayed essentially the same in Morocco, and increased in Tunisia and Yemen. Calculated from World Bank data.

18. Richard Bulliet, "Twenty Years of Islamic Politics," *The Middle East Journal*, Vol. 53, No. 2, Spring 1999.

19. Eric Rouleau, "Trouble in the Kingdom," *Foreign Affairs*, July/August 2002, pp. 75-89.

20. The following paragraphs draw on Hans Lofgren and Alan Richards, "Food Security, Poverty, and Economic Policy in the Middle East and North Africa," International Food Policy Research Institute (IFPRI), forthcoming.

21. World Development Indicators, 2001; and Willem van Eeghen, "Poverty in the Middle East and North Africa," World Bank, 1995.

22. Sheldon H. Danziger and Daniel H. Weinberg, 1994; "The Historical Record: Trends in Family Income, Inequality, and Poverty," in Sheldon H. Danziger, Gary D. Sandefur, and Daniel H. Weinberg, eds., *Confronting Poverty: Prescriptions for Change*, Cambridge, MA: Harvard University Press, pp. 18-50. World Bank, 2001b; *World Development Indicators*, Washington, DC.

23. "How *Not* To Count the Poor," Sanjay G. Reddy and Thomas W. Pogge, May 1, 2002. www.socialanalysis.org.

24. See, for example, "Social Protection in the Middle East and North Africa: A Review," Tzannatos, Zafiris, paper presented at the Mediterranean Development Forum, March 2000, p. 5; Willem van Eeghen and Kouassi Soman, "Poverty in the Middle East and North Africa," in Ishac Diwan and Karen Sirker, eds., *Voices from Marrakech: Towards Competitive and Caring Societies in the Middle East and North Africa*, Selections from the Mediterranean Development Forum: Knowledge and Skills for Development in the Information Age, Marrakech, Morocco, May 12-17, 1997; <http://www.worldbank.org/mdf/mdf1/>; George F. Kossai, "Poverty in the Arab World: Toward a Critical Approach," paper presented at the Mediterranean Development Forum, September 3-6, 1998, Marrakech, Morocco, p. 5.

25. Richard H. Adams, Jr., and John Page, "Holding the Line: Poverty Reduction in the Middle East and North Africa, 1970-2000," paper presented at Annual ERF Conference, October 25-27, 2001.

26. Radwan Shaban, Dina Abu-Ghaida, and Abdel-Salam Al-Naimat, "Poverty Alleviation in Jordan in the 1990s: Lessons for the Future," ERF Forum, Vol. 8, No. 2, October 2001, p. 2.

27. Ford Foundation, "Poverty Report," Cairo, 1998, www.fordfound.org/global/cairo/features.cfm

28. Mohamed El-Maitamy, "Poverty and the Labor Market in Yemen," ERF Forum, Vol. 8, No. 2, October 2001, www.erf.org.eg/nletter/oct01_11.asp.

29. Max Rodenbeck, "An Emerging Agenda for Development in the Middle East and North Africa," IDRC, 2000, www.idrc.ca/books/focus/930/12rodenb.html.

30. A. G. Ali and Ibrahim A. Elbadawi, "The Labor Market and Poverty in the Arab World: Some Preliminary Results," paper presented at the Seventh Annual Conference of the Economic Research Forum for the Arab Countries, Iran and Turkey, October 26-29, 2000.

31. Alan Richards, "The Egyptian Farm Labor Market Revisited," *Journal of Development Economics*, Vol. 43, 1994, pp. 239-261; Gaurav Datt and Jennifer Olmsted, "Induced Wage Effects of Changes in Food Prices in Egypt," Washington: IFPRI, 1998.

32. A Maghrebi word which blends the Arabic *heta*, wall, with the French suffix *-iste*: "one who leans against the wall."

33. Ahmed Rashid, *Jihad: The Rise of Militant Islam in Central Asia*, New Haven: Yale University Press, 2002.

34. Gretchen Peters, "Pakistan Tilts Toward Extremism?" *Christian Science Monitor*, October 15, 2002.

35. However, some observers argue that violent conflicts in sub-Saharan Africa are also closely linked to the problems of rootless youth. See, for example, Paul Richards, "Are 'Forest Wars' in Africa Resource Conflicts? The Case of Sierra Leone," in Nancy Peluso and Michael Watts, eds., *Violent Environments*, Ithaca and London: Cornell University Press, 2001, pp. 65-82.

36. Gilles Kepel, *Jihad: The Trail of Political Islam*, Anthony F. Roberts, trans., Cambridge, MA: Belknap Press of Harvard University Press, 2002.

37. See, for example, Michael Mandelbaum, "Stirred but not Shaken: The Economic Repercussions," in Strobe Talbott and Nayan Chanda, eds., *How Did This Happen? Terrorism and the New War*, NY: Basic Books, 2001; Alan B. Krueger and Jitka Maleckova, "Does Poverty Cause Terrorism?" *The New Republic*, June 24, 2002.

38. *Op. cit.*

39. Tibor Szamuely, *The Russian Tradition*, London: Fontana, 1974, pp. 192-194.

40. *Ibid.*, p. 194.

41. *Ibid.*, p. 197.

42. *Ibid.*, p. 198.

43. Gary Hufbauer, "China, the United States, and the Global Economy," Washington: Institute for International Economics, 1999.

44. See, for example, World Bank, *Claiming the Future: Choosing Prosperity in the Middle East and North Africa*, 1995; and IMF, *Building on Progress: Reform and Growth in the Middle East and North Africa*, 1996.

45. See Lofgren and Richards.

46. See, for example, Graham Fuller, "The Future of Political Islam," *Foreign Affairs*, March/April 2002.

47. This statement should not be taken to imply that military action is

necessarily unwarranted. Rather, such action is unlikely to be sufficient, and, unless very carefully designed and executed, may easily exacerbate the complex crisis which spawns Islamic radicalism.